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Welcome to possible

Telecom industry – the expatriate consumer segment

Summary

The telecom industry, keeping pace with the leaps in this global digital era, is undergoing an immense transformation. It has been affected by global economic turmoil, disruptive technologies and convergence. Smartphones are increasingly penetrating the market. Due to this, the trend is veering towards data usage and over-the-top applications compared to fixed voice. This report attempts to figure out the steps that a Communications Service Provider (CSP) needs to take to stay competitive in the changing landscape.

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Long Term Evolution (LTE) or 4G is moving to the forefront of telecommunication service. Over 100 operators in more than 50 countries launched LTE networks by the end of 2012. EE, the first provider of high-speed LTE services in UK, is poised to exceed its target of one million LTE users by the end of this year. This is after adoption doubled in the second quarter, compared with the previous five months. LTE has many benefits over its predecessors. It has the ability to handle more traffic at faster speed with more efficient use of finite spectrum. It is believed to be up to 96 times more effective than GSM, a 2G technology. This helps the operators to manage traffic more effectively. The roll out requires heavy capital investment in terms of network upgrades, spectrum purchases, marketing and LTE enabled handsets. The potential benefits, however, include savings on costs and giving the desirable Return On Investment (ROI) to the CSPs.

Smartphone sales are expected to continue growing. Today, some eight percent of all phones are smartphones, a proportion that will dramatically increase in the near future. Current forecasts project that 2013 will be a landmark year. It will be the first year smartphones will account for more than 50 percent of all new mobile phone shipments globally. With the increase in internet enabled devices, the average data usage in terms of megabytes per month per customer is bound to increase. The new contents published have data-heavy features. They include high screen resolution, internal storage and processing speed. These demand more data consumption.

Technological innovations give rise to new digital devices in the market. They create new opportunities for the telecommunication industry to cater to a new market segment.

'Ultimately, you have three devices; a small interactive screen, a bigger interactive screen and a very large screen. The smallest touch screen is your smartphone, the bigger one is your tablet, and the biggest touch screen today takes the form of a TV set. I think these three will be integrated eventually with one back-end and one common application platform. All content across all devices will be internet-based and data-driven'. Erik Hoving, Innovation and Technology Officer at KPN.

The industry also sees new trends. Media enterprises are becoming telecommunications firms and vice versa. Search and advertising enterprises are becoming telecommunications providers, all converging and competing for the same customers. The convergence in the industry delivers challenges for CSPs to attract and retain their customers.

A worrying trend for the telecommunication industry continues in 2013 as well. The Average Revenue Per User (ARPU) is going down for the CSPs worldwide. The firstquarter results published by operators across Europe shows that the same trend continues, with flat revenues and low profit margins. Prepaid connections are the ones showing negative growth. Postpaid connections are doing well for the operators due to the revenue from Value Added Services (VAS).

The graph below shows the performance of the CSPs in the matured markets. It depicts three important insights.
- Voice: High penetration but the ARPU trends are downwards
- Message: In the 70-90% range but at a plateau
- Access: Most leading markets are in the growth phase and will continue to grow in this decade
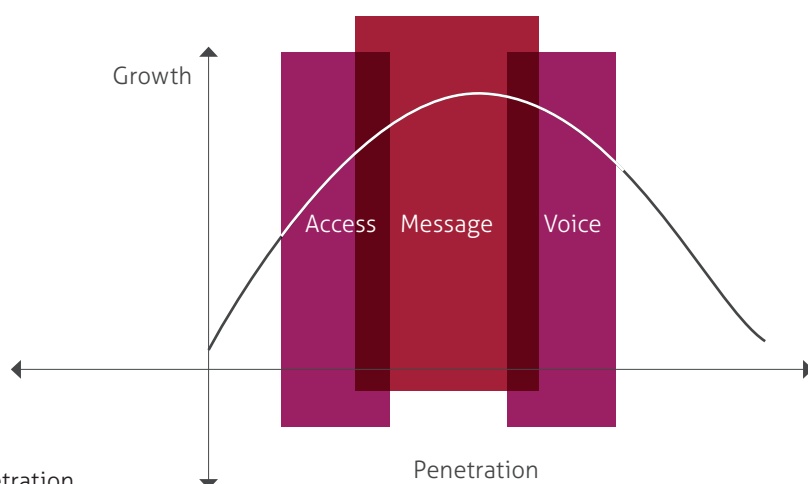

Figure 1: Growth vs penetration

The following chart shows customers' priorities on services that they seek from a CSP:
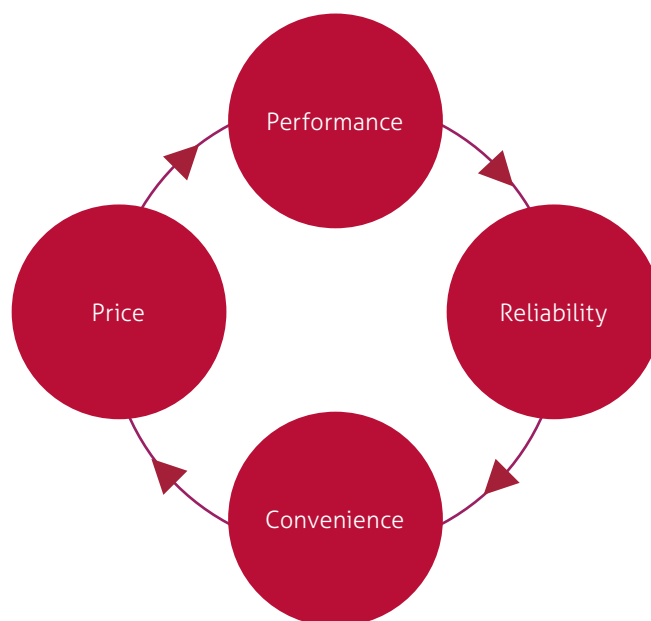

Figure 2: Customer's priority cycle

A price savvy customer seeking performance from a provider would initially be willing to pay extra as a premium for the service. As soon as performance becomes an expected feature of the product, the focus shifts to the reliability of the service. When competitors match the reliability of the service, the focus moves to convenience of use. The provider offering the same feature in the most convenient way will be the preferred choice. The cycle then proceeds to its next stage. This is where every player in the market matches the convenience factors offered by the service. It gives rise to a price war and every player in the market wants to offer the same service at the lowest price. Hence, the CSPs are in a continuous phase of innovation. They seek new opportunities to conquer a major portion of the market share.

An emerging opportunity – the expatriate consumers

Expatriate consumers provide a niche market opportunity for CSPs to increase their customer base. In mature markets such as Europe, the EU-27 foreign population (people residing in a EU-27 member state with citizenship of a non EU-27 Member State) on 1, January 2012 was 20.7 million. This represents 4.1% of the EU-27 population. A number of Mobile Virtual Network Operators (MVNOs) have been catering to this section of customers. Lebara, a leading

MVNO from UK, founded in 2001, operates in seven European countries and Australia. It has a focus on the low-cost ethnic market. Lebara gives its rivals stiff competition by reporting continuous growth in its revenue and profit margin.

The expatriate customer – who they are and what they want.
Mindtree interviewed the expatriates moving to these developed countries. This was to understand their psyche and expectations better. Key insights from the interviews are described below:

■ When asked about the reason for migration, we realized the expatriates fell into three categories. They are the student community, job community and tourist community.

■ Every second traveler said that he / she would want to purchase an international SIM card before traveling, in their home country itself.

■ When asked about the desired features in an international SIM card, the respondents were clear about their choices. The majority of them desired lower tariffs and better VAS from their service provider.

■ While choosing a telecom service provider, recommendations from friends / family and information on websites have the strongest influence on their choices.

- Eight out of ten respondents owned a smartphone when asked about their mobile phone.
- Skype and Google Talk lead the list of preferred internet calling facilities to contact their home country.
- The type of accommodation that the expatriates use is mainly paying guest / shared apartment. A few said that they plan to stay with friends / family.

These insights give a direct roadmap to the CSPs to tap less explored markets. In order to cater to the expatriate customers, a CSP should look beyond the geographic boundaries and expand their marketing campaigns. This will help them reach out to customers from countries having the maximum influx of immigrants.

Figure 3: Types of expatriate customers

Penetrating a niche segment

Mindtree planned a strategy to engage the expatriate customers. The steps needed can be categorized as aware, acquisition, engagement and retaining (Figure 4).
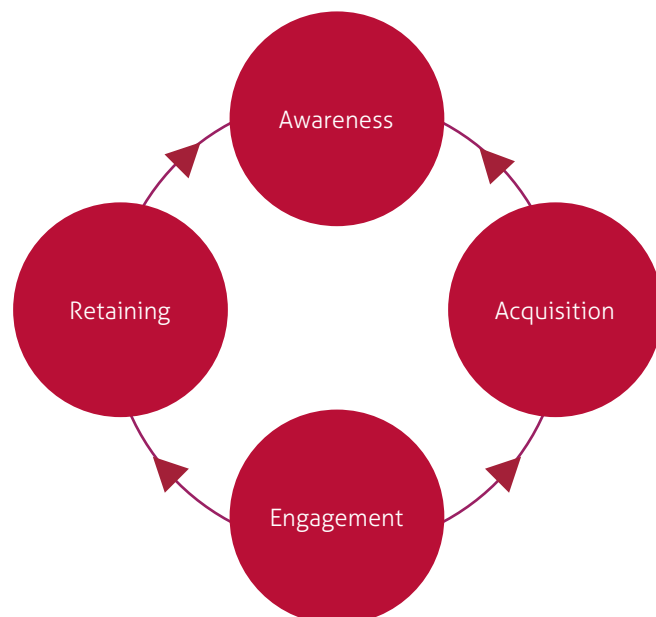

Figure 4: Customer engagement cycle

Awareness

It is important to gain the mindshare of a potential customer before the competitors. The awareness phase for a CSP is typically minimal when the person lands from her / his home country. This phase will typically last from a few hours to a week before the consumer becomes fully aware of available choices. A CSP projects itself as an enabler for those away from their home country. It does everything that is required to strengthen the relationship with migrant communities and marketers. The offerings can be enhanced by creating valuable partnerships with content or VAS providers.

Using digital channels to the maximum extent is recommended for required visibility, during the decision cycle of the customer. Applying digital intelligence while customers prepare themselves for a trip will produce positive results for a CSP.

Informative digital signage at the airport attracts the first-time migrant and urges her towards the provider.

Acquisition

This is more of an informative engagement for a new relationship with a customer. More often than not, it means acquisition of a customer from a rival network. A CSP could provide extra utilities at the same price. For example, Spanish MVNO, Simyo allows customers to compare bills at current consumption level. They do this in an attempt to acquire customers from other networks.

It can also incentivize the existing customers to add friends through web channels. The web offers the ideal opportunity for CSPs to inform their customers about service offer positioning. CSPs offer bonus talk times to the customers for signing up new ones to the network.

Engagement

Engagement or sustenance focuses on building a healthy relationship with the customer. This entails the following:
- Engage by providing customers with rich information and content at the right time.
- Encourage sharing and build community across customer's lifestyles.
- Send customized offers or promotions to the recently signed up customer, with a reward attached to each communication.

Social media plays an important role in engaging with tech savvy customers and new events. It is designed specifically for better engagement with them, especially expatriate customers.

Retention

It is important to have a 360 degree view of the customer. Applying the right CRM techniques to achieve customer loyalty will ensure their continued association with the brand. It is crucial that the retaining policies for expatriate customers is designed uniquely compared to large scale customers. These customers belong to different ethnicities. They have diverse needs that need to be addressed by the service providers. An example would be the festivals that these customers celebrate. They may not be the same compared to those of the other customers. Hence, the CSPs should have a specialized team for this segment.

Offering gift vouchers and bonus talk times during expatriate festive seasons helps builds an emotional connect with the customer.

The number of immigrants in the developed market is on a constant rise. There is no reason for this trend to discontinue. Telecom service providers need to provide targeted offerings to create and extract more value from this untapped market segment.

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